

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 IO-13 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02
AID-05 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01
SP-02 OMB-01 /108 W
-----060242Z 012889 /15

R 050935Z MAY 77
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC 3458
MEMBASSY LONDON 318
INFO AMEMBASSY SEOUL
USMISSION MTEN GENEVA

C O N F I D E N T I A L TAIPEI 2608

DEPT PASS STR

LONDON FOR AMBASSADOR STRAUSS, ALAN WOLFF

E.O. 11652: GDS
TAGS: ETRD,TW
SUBJECT: NON-RUBBER FOOTWEAR NEGOTIATIONS WITH KOREA

REF: (A) STATE 91663, (B) SEOUL 3694

1. BEGIN SUMMARY: AFTER INITIAL ROUND OF NEGOTIATIONS
WITH GOK, WHICH ENDED MAY 4, THERE IS A SIGNIFICANT
NARROWING OF DIFFERENCES ON ALL OF ELEMENTS OF AN AGREE-
MENT EXCEPT THE MAJOR ONE, RESTRAINT LEVELS. GOK FINDS
U.S PROPOSAL TABLED IN WASHINGTON FOR ANNUAL IMPORT LEVELS
SET AT 30 MILLION PAIRS WITH GROWTH AND 34 MILLION PAIRS WITHOUT
GROWTH UNACCEPTABLE. ROK POSITION IS 2 MILLION PAIRS BASED ON
ROK 1976EXPORTS BUT HAVE HINTED THAT LOW 40S MIGHT DO.
NEGOTIATING TEAM WILL RETURN TO SEOUL MAY 9 TO CONTINUE
NEGOTIATIONS. END SUMMARY.

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2. U.S. FOOTWEAR TEAM LED BY STEPHEN LANDE OF STR HELD
LENGTHY NEGOTIATING SESSION MAY 2-4 WITH KOREAN GOVERN-
MENT OFFICIALS LED BY SUN KIL KIM AN ASSISTANT MINISTER
IN THE DEPARTMENT OF COMMERCE AND INDUSTRY. THE ROUND
ENDED WITH TOUGH TWO HOURS PRIVATE MEETING BETWEEN KIM
AND LANDE. THE ATMOSPHERE OF SESSIONS WAS VERY GOOD

WITH OPEN AND FRANK EXCHANGES BECAUSE IT WAS CLEAR AT THE OUTSET THAT RESTRAINT LEVEL WOULD BE THE MAJOR STUMBLING BLOCK,LANDE AVOIDED AN EARLY IMPASSE BY COVERING ALL OF THE OTHER ELEMENTS IN THE PROPOSED AGREEMENT AND LEAVING RESTRAINT LEVEL FOR END.

3. INITIAL KOREAN POSITION WAS THAT ATHLETIC FOOTWEAR SHOULD BE EXCLUDED FROM RESTRAINT LEVEL BECAUSE A) IT WAS NOT PRODUCED IN THE U.. AND THEREFORE IT COULD NOT BE CAUSING MARKET DISRUPTION,AND B) U.S. INDUSTRY COULD NOT PRODUCE REASONABLY PRICED ATHLETIC SHOES AND SHORTFALL OF KOREAN SHOES WOULD GIVE MARKET TO HIGHER PRICED EUROPEAN SHOES (ADIDAS,UMA). LANDE RESPONDED THAT THE USITC INJURY FINDING,WHILE EXCLUDING SOME TYPES OF FOOTWEAR, DID NOT EXCLUDE ATHLETIC FOOTWEAR, U.S. INDUSTRY CLAIMS IT CAN PRODUCE ATHLETIC FOOTWEAR FOR EQUAL OR SLIGHTLY HIGHER PRICES THAN KOREAN FOOTWEAR. ALSO U.S. CONSUMERS WILL BUY OTHER INEXPENSIVE U.S. MADE SHOES IF LOW PRICED ATHLETIC FOOTWEAR UNAVAILABLE IN SUFFICIENT QUANTITIES.KIM WANT A GUARANTEE OF KOREAN MARKET SHARE BY RAISING RESTRAINT LEVEL AS IMPORTS FROM OTHER SUPPLIERS INCREASED. LANDE REASSURED KIM THAT AN EQUITY CLAUSE IN THE AGREEMENT PLUS THE VIGILANCE OF THE DOMESTIC INDUSTRY WOULD INSURE THAT OTHER SUPPLIERS WILL NOT SIGNIFICANTLY INCREASE MARKET SHARES TO THE DISADVANTAGE OF KOREA.

4. IN THE DISCUSSION ON CATEGORIES THE U.S.SIDE, IN REACTION TO KOREAN STRONG INSISTENCE ON NO CATEGORIES, PUT THE 32 MONITORING CATEGORIES ON THE TABLE.EIGHT
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CATEGORIES WERE INCLUDED IN A DRAFT AGREEMENT INTRODUCED BY THE U.. SIDE ON THE LAST DAY. AT KIM-LANDE SESSION IT APPEARED THAT KIM WOULD ACCEPT A SINGLE PRICE BREAK ALTHOUGH LEVEL WAS NOT SPECIFIED.

5. KIM ARGUED THAT THE DURATION OF THE AGREEMENT SHOULD BE LIMITED TO TWO YEARS. LANDE REPLIED THAT THE PRESIDENT'S PROPOSAL FOR A NEW ADJUSTMENT ASSISTANCE PROGRAM REQUIRED TIME TO BECOME OPERATIVE AND EFFECTIVE. WHILE OFFICIAL ROK POSITION REMAINED AND AN AGREEMENT FOR 2YEARS WITH THE POSSIBILITY OF AN EXTENSION,THE DURATION WAS OF LESSER CONCERN TO ROK THAN THE RESTRAINT LEVEL AND SUBJECT WAS NOT EVEN BROUGHT UP DURING FINAL MEETING.

6. KIM DID NOT GET INTO DETAIL ON GROWTH DESIRED BY ROK BUT HE CLEARLY WANTED GREATER GROWTH THAN OFFERED BY U.S. SIDE. FORMULATION IN DRAFT PRESENTED BY U.S. SIDE WAS ANY UPWARD ADJUSTMENT DURING THIRD AND FOURTH YEAR PERIODS WOULD BE LIMITED BY A TOTAL AMOUNT BASED ON 34

MILLION PAIRS PER YEAR (E.G.A TOTAL OF 170 MILLION PAIRS IN A 5-YEAR AGREEMENT) TAKING INTO ACCOUNT INTER ALIA, THE STATE OF THE UNITED STATES DOMESTIC INDUSTRY.

7. DISCUSSIONS DID NOT GET INTO DETAIL ON CARRYOVER, CARRY FORWARD, SHIFTS AND SPACING,AWAITING GOK TO REQUEST IT.KOREAN POSITION WAS FOR MAXIMUM FLEXIBILITY AS KIM SAID THAT ONLY WAY KOREA CULD ACCEPT RESTRAINT WAS WITH A FULLY FLEXIBLE AGREEMENT. U.S. SIDE AGREED THAT THERE SHOULD BE SUFFICIENT FLEXIBILITY WITHIN AGREEMENT TO PROVIDE OPPORTUNITY FOR KOREA TO FILL RESTRAINT LEVEL ALTHOUGH FLEXIBILITY SHOULD NOT BE SO GREAT AS TO ALLOW DISRUPTION OF U.S. MARKET. KOREANS SEEMED TO UNDERSTAND THAT WHILE U.. COULD PERMIT FLEXIBILITY THROUGH CARRY FORWARD AND CARRY BACK AND SOME SHIFTING BETWEEN CATEGORIES IT HAD TO BE LIMITED.

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8. KIM ARGUED STRONGLY THAT UNDER AN AGREEMENT KOREA COULD ONLY CONTROL ITS EXPORTS UNDER A VISA SYSTEM BASED ON DATE OF EXPORT RATHER THAN DATE OF ENTRY. THE U.S. SIDE DID NOT RESIST KOREAN INSISTENCE ON DATE OF EXPORT BUT IT WAS CLEAR THAT U.S. WOULD CONTROL IMPORTS AND THERE WAS NO QUESTION OF A NON-ENFORCEABLE VRA.

9. THE U.S.SIDE PROPOSED A MECHANISM FOR TREATING IMPORTS OF KOREAN SHOES ARRIVING IN THE U.S.AFTER MAY 1 BUT NOT COVERED BY THE CEILING OF THE ARRANGEMENT. UNDER THIS PROPOSAL UNUSUALLY LARGE IMPORTS WOULD BE CHARGED AGAINST THE RESTRAINT LEVEL.

10. REFTTEL B WAS NOT CLEARED BY U.S DELEGATION DUE TO LACK OF TIME BEFORE DEPARTURE THIS REPORT BEING SENT SINCE IT COMPLIMENTS REFTTEL B.
UNGER

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Message Attributes

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